

Members

Sen. Allen Paul, Chair
Sen. Timothy Lanane
Rep. Craig Fry
Rep. Michael Smith
Paul Chase
Lee Lange



INTERIM STUDY COMMITTEE ON THE INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

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Authority: P.L. 233-1999 (HEA 2043); Legislative
Council Resolution 99-1 (Adopted May 26, 1999)

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MEETING MINUTES¹

Meeting Date: October 19, 1999
Meeting Time: 1:30 P.M.
Meeting Place: State House, 200 W. Washington
St., Room 233
Meeting City: Indianapolis, Indiana
Meeting Number: 2

Members Present: Sen. Allen Paul, Chair; Sen. Timothy Lanane; Rep. Craig Fry; Rep. Michael Smith; Paul Chase; Lee Lange.

Members Absent: None.

Rep. Craig Fry, Vice-Chair of the Committee, at the request of Sen. Paul who would be arriving late to the meeting, called the meeting to order.

Provided to members of the Committee in advance of the meeting was a written response by Mr. Phil Conklin to a request for information made by the Committee at the previous meeting. The memo (Exhibit 1) pertains to the assessment of third-party administrators (TPA's) in the state of Mississippi.

Funding of the Indiana Comprehensive Health Insurance Association (ICHIA)

Mr. Paul Chase - President of the ICHIA Board of Directors

Mr. Paul Chase, President of the ICHIA Board of Directors and member of the committee, provided two documents to the Committee: (1) a chart of selected operational statistics of state high-risk pools for 1998 (Exhibit 2); and (2) a chart showing the relative shares of premiums and industry assessments in various state high-risk pools (Exhibit 3). Mr. Chase reviewed the data and stated that, although the data does not account for all the important differences in the

¹Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

high-risk pools of the various states, he felt the analysis could serve as a starting point for Committee discussions.

Mr. Chase added that, based on data from the Comprehensive Health Insurance for High-Risk Individuals (13th Edition, 1999, published by Communicating for Agriculture and the National Association of State Comprehensive Health Insurance Plans), the claims per enrollee for Indiana in 1997 averaged \$8,148, one of the highest in the country.

Mr. James Carr - ICHIA Policyholder

Mr. James Carr, ICHIA policyholder, stated that the Committee should be sensitive to the following: (1) Indiana does no cost containment on prescription drugs and, if there was cost containment, ICHIA premiums could be held down; (2) There should be assessment of TPA's; and (3) For Medicare beneficiaries, ICHIA is the second payer, but there is no premium reduction for ICHIA policyholders to reflect the reduced cost of the coverage.

Ms. Sally McCarty - Commissioner of the Department of Insurance

Ms. Sally McCarty, Commissioner of the Department of Insurance, stated that there is a problem in current statute where ICHIA policyholders are subject to a mandatory deductible and a 20% co-payment. Ms. McCarty indicated that the ICHIA statute allows ICHIA to offer managed care alternatives. However, the mandated deductible and co-payment are not consistent with a managed care environment.

Ms. Lee Lange, member of the Committee, briefed the Committee on the progress of a new subcommittee of the ICHIA Board. She stated that the subcommittee was initially dealing with what they felt were the most pressing issues: (1) Communication with members and policyholders; and (2) Broadening the scope of the subcommittee and looking at marketing issues, additional products for those individuals not eligible for Medicare, or looking at target markets.

Mr. Chase indicated that ICHIA is trying to get more people into the program who are healthier uninsurables.

Mr. Phil Conklin - Maxicare

Mr. Phil Conklin, Maxicare, provided a document (Exhibit 4) containing a proposal for the future financing of ICHIA. Components of the proposal include the following: (1) Require the ICHIA Board to establish and adopt an annual operating budget by November 1 of each year with assessment notices sent out by December 1; (2) In the event ICHIA would require additional funds, ICHIA should be authorized by law to borrow funds on the open market or seek other revenues from state resources; (3) Establish a proper means of assessing re-insurance companies that underwrite health insurance premiums with the state and require such companies to be members of ICHIA; (4) Repeal the statutory restriction on limiting policy premiums to 150% of the average of the five largest insurance companies writing individual policies; (5) ICHIA financing should be based 33% on policy premiums, 45% on member assessments, and 22% on state funding for the years 2001 through 2003, and changed to 30% on premiums, 33% on assessments, and 37% on state funding for 2004 and thereafter; (6) Include a ceiling on annual assessments not to exceed 0.75% of the company's net health care premiums written in the state; (7) Legislative authorization for ICHIA to charge a lower premium to those whose income does not meet certain minimum standards with the state bearing the cost of the premium revenue loss; and (8) Persons eligible for the Medicaid program should continue to be ineligible to become policyholders under ICHIA.

In response to a question, Mr. Conklin indicated that there would probably need to be a statutory change in order to change the funding shares.

In response to a question, Mr. Conklin stated that the impact of these proposals would reduce Maxicare's assessment from \$1.6 million to \$1.3 million, but that there could be an even greater effect in the future. He added that this proposal would allow most companies to take advantage of their ICHIA tax credits.

Asked as to how much of the tax credits are utilized by ICHIA members, staff responded that there has been a lack of success in obtaining that information in the past. Mr. Dan Seitz, of Bose, McKinney, and Evans, added that it is probably nearly impossible to obtain that information from the Department of State Revenue or any other source.

Responding to a question, Mr. Chase indicated that most ICHIA policyholders come to ICHIA because of some of the following reasons: (1) lost insurance coverage due to unemployment; (2) their job doesn't provide insurance coverage; and (3) the individual comes from out-of-state.

Responding to a question regarding eligibility of Medicaid recipients for ICHIA, Mr. Chase indicated that the statute was changed several years ago to allow Medicare recipients to participate in ICHIA. Mr. Chase stated that the statute has never prohibited Medicaid recipients from participating. He added that ICHIA is one alternative for those individuals who want to return to work.

Rep. Fry stated that he doesn't know if we can ever come up with the state money to change the funding mechanism. He added that TPA's and self-funded ERISA plans are also part of the problem.

Rep. Smith suggested that we should consider going after some of the Tobacco Settlement money. He also suggested that blended premium rates are useful generally, however, if a person is on Medicare in addition to ICHIA, the person is on Medicare for a reason, thus, making premium payments more of a challenge.

Responding to a question about pharmaceutical costs, Mr. Chase suggested that with only 4,000 policyholders, ICHIA probably can't obtain much of a price discount on its own.

Rep. Fry suggested that it may be a good idea to form a consensus of this Committee and others and to go after some of the Tobacco Settlement money.

Rick Cockrum, Anthem, suggested that what insurance companies can't take in the way of a tax credit will come out of a company's premium base resulting in additional cost shifts.

Responding to a question about what happens if insurance companies and ICHIA policyholders can no longer afford ICHIA, it was stated that many of the 4,000 policyholders would then receive uncompensated care with much of the cost being paid by taxpayers and cost shifting. Ms. Joy Long, Indiana Department of Insurance, stated that the ICHIA program is the state's "alternative mechanism" for HIPAA (Health Insurance Portability and Accountability Act of 1996) purposes and, without an "alternative mechanism", insurance companies would be required to offer guaranteed issue.

Mr. Bruce Greenberg - Partners National Health Plans of Indiana, Inc.

Mr. Bruce Greenberg, Partners National Health Plans of Indiana, provided a document (Exhibit 5) showing his company's history of total revenues, ICHIA assessments, net income, and the relationship of assessments to total revenues and net income for the years 1994 through 2000 (projected). ICHIA assessments as a percent of total revenues varied from .26% to a projected .99% for the year 2000 at his company. Assessments as a percent of net income ranged from 44.15% to a projected 971.39% for the year 2000. Mr. Greenberg stated that assessments cannot normally be passed on to customers. He also stated that surprises (regarding large

assessment increases) are a big problem in a business environment.

Rep. Fry suggested that the ICHIA Board should move as quickly as possible to accommodate the industry.

Suggestions for Statutory Changes

Mr. Paul Chase provided a document (Exhibit 6) containing suggestions for statutory changes to IC 27-8-10 (ICHIA statute) for consideration by the Committee. Mr. Chase stated that these suggestions were his since they had not yet been adopted by the ICHIA Board. Mr. Chase then briefly reviewed some of the proposals.

After some discussion, Sen. Paul stated that he didn't feel there was enough time remaining during this interim for the Committee to properly consider and recommend legislative changes.

There being no further business for the Committee to consider, the meeting was adjourned.